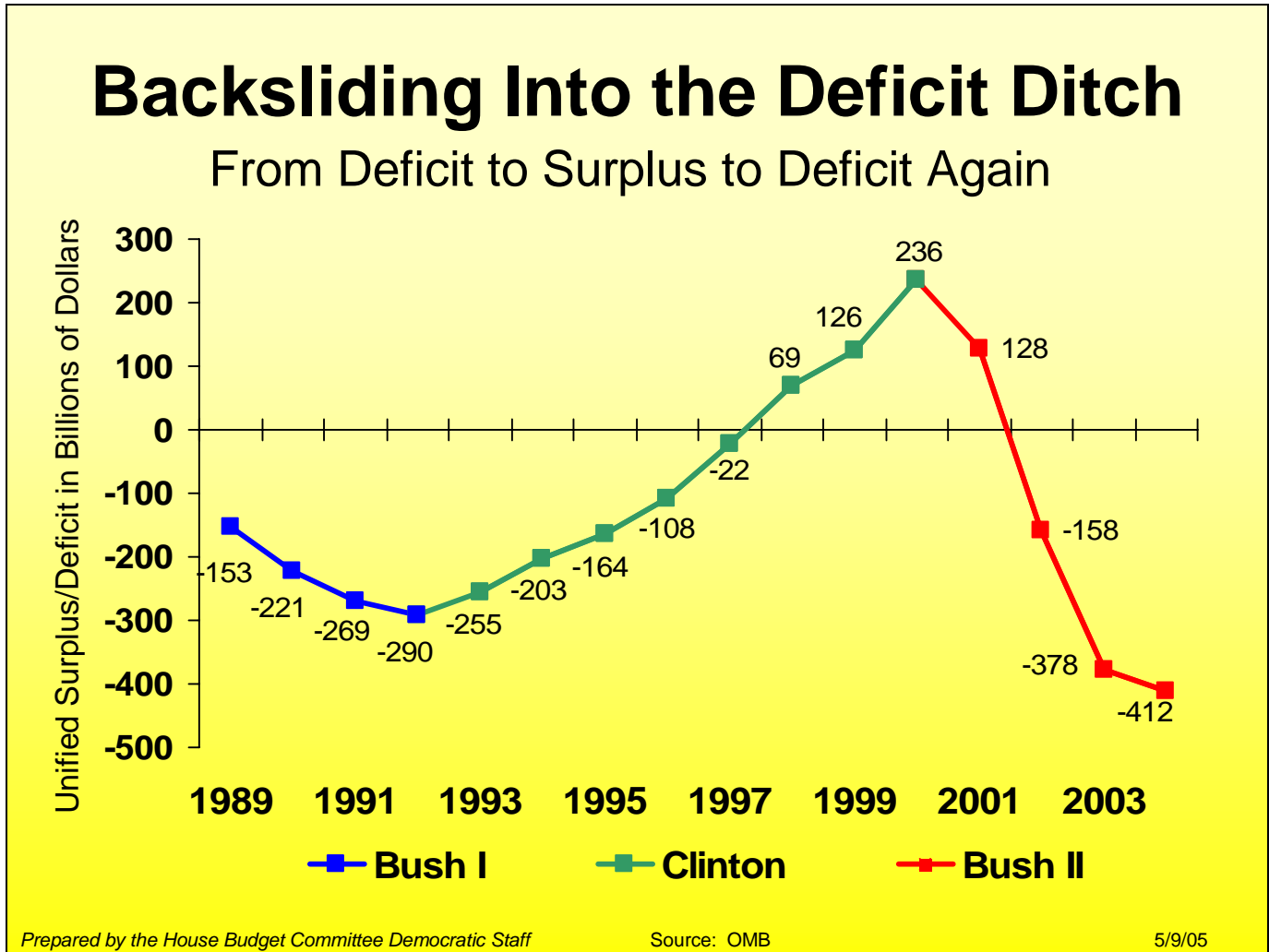


Republican Fiscal Mismanagement Leaves Fewer Options for Addressing Social Security's Long-term Challenge

The President and Republicans Squandered the Surplus



When President Bush took office in 2001, he enjoyed the prospect of a budget in surplus. In fact, CBO projected that, after the deficit reduction efforts of the 1990s, the federal government would run surpluses totaling \$5.6 trillion from 2002 through 2011.

This was welcome news, but Democrats warned President Bush against enacting large tax cuts that would dissipate the surplus. Democrats favored a cautious approach: take one-third of this pot and use it to buy down the debt and strengthen Social Security. Democrats wanted to use the second third for critical priorities like education. And finally, Democrats proposed dedicating the last third of the surplus to fiscally responsible middle-income tax relief.

Democrats would have also implemented effective “lock box” measures in order to ensure that the rest of the budget was kept in balance, and that Social Security surpluses were truly set aside for the future.

Republicans chose a different path. President Bush saw no need for fiscal caution and used the projected surplus to justify oversized tax cuts disproportionately benefiting the wealthiest Americans. It turns out that those initial projections were too optimistic, and CBO now projects that the \$5.6 trillion surplus has turned into a \$2.9 trillion deficit under President Bush’s watch.

Had we adopted the Democrats’ plan in 2001, Social Security would be in much better financial shape, and the country would be well-positioned to meet the challenges presented by the looming retirement of the baby boom generation.

The first rule of budgeting should be that when you are in a hole, stop digging. Under the President’s budget and tax policies, the government will run deficits for as far as the eye can see. The President’s privatization plan digs the hole deeper and passes the bill to younger generations. Today’s young workers are the ones who will have to pay the interest on our trillions of dollars of new debt.